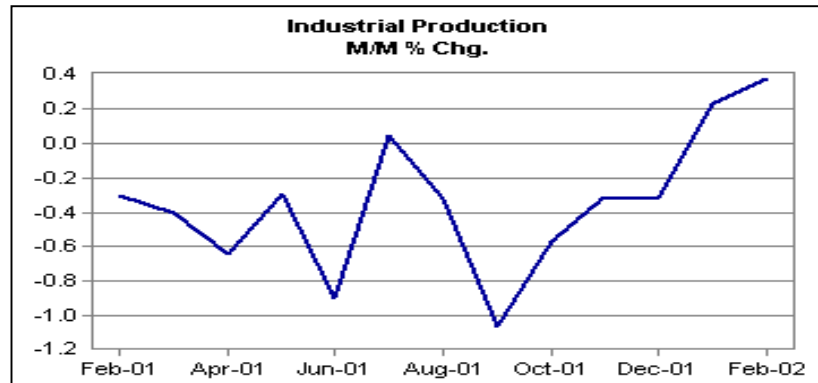
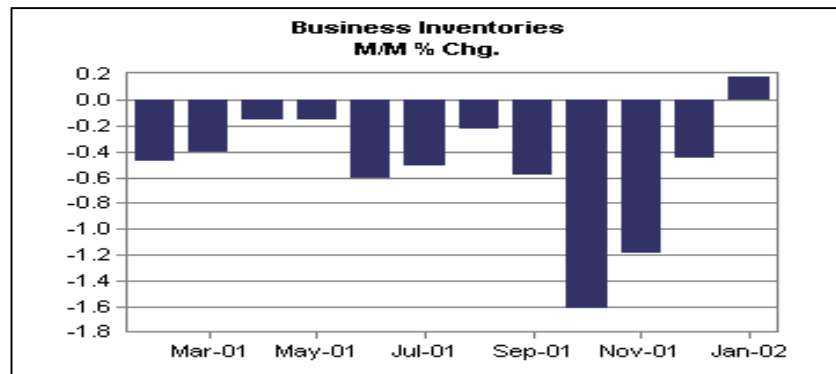


US Industrial Production Up 0.4%

This week provided even more evidence that the US economy is in recovery. In February, industrial production registered its biggest bounce since June 2000, increasing by 0.4% compared with forecasts for a 0.3% rise. Combined with January's revised 0.2% increase, February marked the first time since August/September 2000 that we have had two straight months of increases in production.



The manufacturing sector alone, the largest component in the report, saw a production gain of 0.3%, the same as a revised figure for January. As the economy picks up the report also showed an increase in the amount of productive capacity by U.S. firms. The capacity utilisation rate rose to 74.8%, the highest rate since October 2001. While the IP data were to some extent inflated by a sharp jump in utilities, the report nonetheless confirms an across the board rebound in activity.

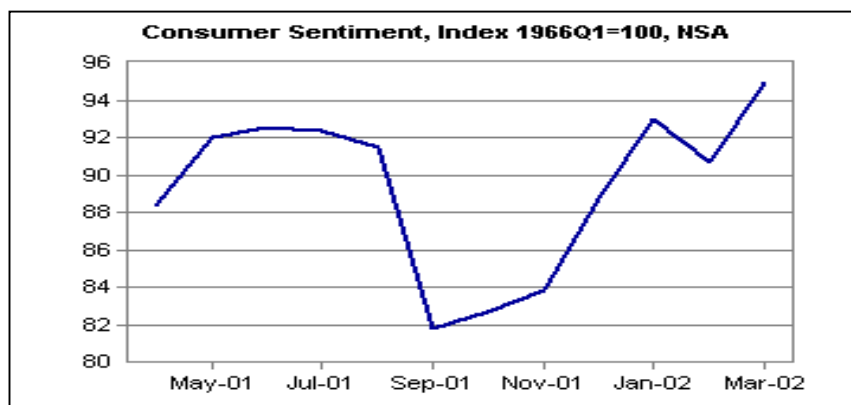


US business inventories rose for the first time in a year in January. Stocks climbed 0.2% after a revised drop of 0.5% in December and sales rose too, the government said on Thursday. Inventories had been expected to fall by a further 0.3%. The rise was due to an increase in retailers inventories and is another signs of the end of the recession in the US. The process of rebuilding inventories is expected to be a strong contributing factor to the economy by the second quarter. Furthermore, total business sales rose 1.1% on the month after posting an unchanged outcome in December. Sales at manufacturers rose 2.0%. The stock-to-sales ratio, the time it would take to deplete inventories at their current pace, fell to 1.38 months from December's 1.39 months.



AIB Group Treasury Economic Services Unit

Consumer sentiment numbers were also consistent with the growing array of data that the recession, which began a year ago is ending. Jumping nearly five points in March, the Michigan consumer sentiment survey is now at its highest level since December 2000. Both expectations and the assessment of current conditions improved. The increase more than reversed the weakness seen in February when the reading was dampened by such things as the Enron debacle and the failure of Congress to pass an economic stimulus plan.



Geraldine Concagh
15 March 2002.